

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2003-86-C - ORDER NO. 2003-534

OCTOBER 1, 2003

IN RE: Application of Consolidated Communications) ORDER
Operator Services, Inc. for a Certificate of) GRANTING
Public Convenience and Necessity to Provide) CERTIFICATE TO
Operator Assisted Telecommunications) PROVIDE OPERATOR
Services and for Modified Alternative) ASSISTED SERVICES
Regulation) AND FOR MODIFIED
) ALTERNATIVE
) REGULATION

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Consolidated Communications Operator Services, Inc. ("Consolidated" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a provider of Operator Assisted Telecommunications Services within the State of South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2002) and the general regulatory authority of the Commission. By its Application, Consolidated also requested alternative regulation of its business services offerings identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C and as modified by Order No. 2001-997. Consolidated further requested waiver of certain Commission regulations.

The Commission's Executive Director instructed Consolidated to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the state affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the Application of Consolidated and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. Consolidated complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene or Protests were filed.

A hearing was convened on August 20, 2003, at 10:30 a.m. in the Commission's Hearing Room, Columbia, South Carolina. The Honorable Mignon Clyburn, Chairman, presided. Consolidated was represented by Bonnie D. Shealy, Esquire. Jeffrey M. Nelson, Esq., Staff Counsel, represented the Commission Staff.

Mr. Rick Hall, General Manager of Operator Services with Consolidated, appeared and testified in support of the Application. The record reveals that Consolidated is a privately held Delaware corporation with its principle place of business in Illinois. It is registered to transact business in South Carolina as a foreign corporation by the South Carolina Secretary of State. According to Mr. Hall, Consolidated proposes to offer live and automated operator-assisted long distance and directory assistance services as well as services for coinless and coin-operated public telephones for communications originating and terminating within the State of South Carolina. Consolidated's services will be provided twenty-four hours a day, seven days a week to transient users throughout South Carolina. The Company does not own any network switches or transmission facilities in South Carolina and will use the facilities of McLeod

USA Telecommunications, Inc. and, when necessary, other carriers certified by this Commission. Mr. Hall explained the Company's request for authority, and the record reveals the Company's services, operations, and marketing procedures.

Mr. Hall also discussed Consolidated's technical, financial, and managerial resources to provide the services for which it seeks authority to provide. Mr. Hall offered that Consolidated possesses sufficient financial resources to support its operations in South Carolina. A review of the financial documents submitted as an exhibit to the Application reveals a healthy current ratio and positive net income for the first six months of 2003. With regard to management and technical capabilities, Mr. Hall stated that Consolidated is a wholly-owned subsidiary of Consolidated Holdings, Inc., a large company with various telecommunications subsidiaries, including Illinois Consolidated Telephone Company. Mr. Hall testified that these companies have extensive experience in the telecommunications industry and substantial financial resources. He further offered that a recent independent survey of Consolidated customers indicated a customer satisfaction rate of 97%. Mr. Hall also testified that Consolidated will operate in accordance with Commission rules, regulations, guidelines, and Commission Orders.

Mr. Hall testified that Consolidated is currently certified to provide the requested telecommunications services in 35 states and the District of Columbia and is in the process of obtaining certification in all 50 states with the exception of Alaska and North Dakota. Mr. Hall offered that approval of Consolidated's Application would serve the public interest of the citizens of South Carolina by increasing the level of telecommunication competition in South Carolina, by providing a high-quality alternative

of operator services, and by increasing consumer awareness of options and services available, thus encouraging the growth and success of competitive services.

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Consolidated is organized as a corporation under the laws of the State of Delaware and is headquartered in Illinois. It is authorized to do business as a foreign corporation in the State of South Carolina by the South Carolina Secretary of State.

2. Consolidated operates as a provider of live and automated operator-assisted long distance and directory assistance telecommunications services for coinless and coin-operated public telephones and wishes to provide its services in South Carolina. Consolidated has shown that it has the requisite experience, resources, and ability to operate as a reseller of telecommunications on an interexchange basis.

3. The management and key personnel of Consolidated possess significant managerial, technical, marketing, and administrative experience, and Consolidated is, therefore, well qualified to operate as a reseller of telecommunications services within the state of South Carolina.

4. Based on the testimony and documentation provided to the Commission by the Applicant, Consolidated is a financially stable corporation in possession of sufficient financial resources to provide the services described in its Application.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission concludes that Consolidated has met its burden of proof in establishing that it possesses or can meet the statutory and regulatory requirements necessary to be granted a Certificate of Public Convenience and Necessity to operate as a reseller of telecommunications services. Specifically, Consolidated is qualified, and is hereby certified, to provide live and automated operator-assisted long distance and directory assistance services, as well as services for coinless and coin-operated public telephones in South Carolina.

2. The Commission adopts a rate design for Consolidated for its resale of services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. With respect to Consolidated's operator service offerings, the Commission adopts a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Under this relaxed regulatory scheme, tariff filings for Consolidated's operator services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted

for AT&T shall apply to Consolidated also. These alternative regulation orders were modified by Order No. 2001-997 in Docket No. 2000-407-C which imposed a cap on operator-assisted calls where a consumer uses a local exchange carrier's calling card to complete calls from locations which have not selected the local exchange carrier as their toll provider. The provisions of Order No. 2001-997 and the modification to alternative regulation provided for by Order No. 2001-997 also apply to Consolidated.

4. If it has not already done so by the date of issuance of this Order, Consolidated shall file its revised tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations and with applicable state law.

5. Consolidated is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

6. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

7. Consolidated proposes to provide operator services in aggregator locations, Consolidated shall comply with the following conditions:

- (a) For intrastate 0+ operator assisted and calling card calls originating from pay telephones outside confinement facilities and at aggregator locations, Consolidated may not impose operator service charges greater than the

intrastate charges then currently approved for AT&T Communications. For the usage portion of the call, Consolidated may not charge more than the intrastate interLATA rates charged by AT&T Communications. The rate caps imposed by Commission Order No. 2001-997, dated November 8, 2001, are applicable to these types of 0+ operator assisted and calling card calls originating from pay telephones outside confinement facilities and at aggregator locations where an end user uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider.

- (b) Consolidated is allowed to incorporate in its tariff a surcharge (property imposed fee) on operator-assisted and calling card calls not to exceed \$1.00 for calls originating from payphone (excluding pay telephones associated with inmate calling service) and from aggregator locations, only if the property owner has not added a surcharge already. That is, Consolidated may not impose an additional surcharge to calls originating from pay telephones and from aggregator locations if a property owner has already imposed such a surcharge. If such a surcharge is applied by Consolidated on behalf of the property owner, Consolidated is directed to pay the surcharge in its entirety to the property owner. Further, if the surcharge is applied, the end user should be notified of the imposition of the surcharge. This notification should be included in the information pieces identifying Consolidated as the operator service provider at that location.

(c) Consolidated is required to provide information pieces to pay telephone service providers or property owners identifying Consolidated as the provider of the operator service for authorized calls originating from the location. Consolidated is required to brand all calls identifying itself as the carrier. The information pieces shall be consistent with the format approved by the Commission in Order No. 93-811, issued in Docket No. 92-557-C.

(d) Regarding the provision of operator services, Consolidated shall comply with the Operator Service Provider Guidelines approved in Order No. 93-534, issued in Docket No. 93-026-C.

8. Consolidated shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Consolidated changes underlying carriers, it shall notify the Commission in writing.

9. With regard to the origination and termination of toll calls within the same LATA, Consolidated shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209). Specifically, Consolidated shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

10. Consolidated shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Consolidated shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the Commission's website at www.psc.state.sc.us/forms. The title of this form is "Annual Information on South Carolina Operations for Interexchange Companies and AOS." This form shall be utilized by the Company to file annual financial information with the Commission. Commission gross receipts forms are due to be filed with the Commission no later than August 31st of each year.

11. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Consolidated shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The "Authorized Utility Representative Information" form can be found at the Commission's website at www.psc.state.sc.us/forms; this form shall be utilized for the provision of this

information to the Commission. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

12. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

13. At the hearing, Consolidated requested a waiver of Reg. 103-610, which requires that records required by the Commission's Rules and Regulations be maintained in South Carolina. The record reveals that Consolidated's principal headquarters will be located in Illinois, and Consolidated requests permission to maintain its books and records at its headquarters in that state. The Commission finds Consolidated's requested waiver reasonable and understands the difficulty presented to Consolidated should the waiver not be granted. The Commission therefore grants the requested waiver that Consolidated be allowed to maintain its books and records at its principal headquarters. However, Consolidated shall make available its books and records at all reasonable times upon request by the Commission or the Commission Staff, and Consolidated shall promptly notify the Commission if the location of its books and records changes.


14. Consolidated also requests that it be exempt from record keeping policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts (USOA). The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, Consolidated maintains its book of accounts in accordance with Generally Accepted Accounting Principles (GAAP). Moreover, Consolidated asserts that because it utilizes GAAP, the Commission will have a reliable means by which to

evaluate Consolidated's operations and assess its financial fitness. Accordingly, Consolidated hereby requests an exemption from the USOA requirements. We grant the Company's request for the reasons stated above.

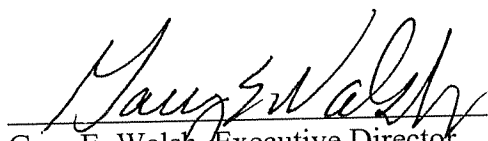
15. Each telecommunications company certified in South Carolina is required to file annually the Intrastate Universal Service Fund (USF) worksheet. This worksheet provides the Commission Staff information required to determine each telecommunications company's liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than August 15th.

16. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Mignon L. Clyburn, Chairman

ATTEST:


Gary E. Walsh, Executive Director

(SEAL)